

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA

INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

JUNE 30, 2007

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PLAINS AREA MENTAL HEALTH, INC.
BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mike Donlin	President	2009
Val Droog	Vice-President	2007
Rev. Matthew Draffen	Secretary	2007
Wayne Meylor	Treasurer	2008
Zona Carlson	Member	2008
Gladys Mortenson	Member	2008
Patrick Murphy	Member	2007
Dennis Bennett	Member	2008
Barry Goettsch	Member	2008
Jay Bleil	Member	2008
Patrick Schmitz	Executive Director	Indefinite
COUNTY BOARD LIAISONS:		
Terry Graybill	Cherokee County Supervisor	
Jim Henrich	Plymouth County Supervisor	
Allen Hilker	Ida County Supervisor	

INDEPENDENT AUDITORS' REPORT

Board of Directors
Plains Area Mental Health, Inc.
Le Mars, Iowa

We have audited the accompanying statements of financial position, of Plains Area Mental Health, Inc. (a nonprofit organization) as of and for the year ended June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2006 is presented for comparative purposes only and was extracted from the financial statements presented by fund for the year ended June 30, 2006. The financial statements of Plains Area Mental Health, Inc. as of June 30, 2006, were audited by other auditors whose report dated August 31, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plains Area Mental Health, Inc. at June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2007 on our consideration of Plains Area Mental Health, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The information on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BURKHARDT & DAWSON, CPA's

Certified Public Accountants

August 27, 2007

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR 2006

	2007			2006
	UNRE- STRICTED FUND	FURNITURE, FIXTURES AND EQUIPMENT FUND	TOTAL	TOTAL
ASSETS				
CURRENT ASSETS:				
Cash on Hand	\$ 795	\$ 0	\$ 795	\$ 1,034
Cash in Savings and Money Market Funds	66,769	474	67,243	24,612
Accounts Receivable, Net of Allowance for Doubtful Accounts and Rate Adjustments of \$142,800 and \$171,000 at June 30, 2007 and 2006, Respectively	129,628	0	129,628	208,217
Other Receivables	110,094	0	110,094	29,409
Grant Receivables	26,837	0	26,837	40,868
Prepaid Expenses	856	0	856	10,435
Marketable Securities	<u>25,326</u>	<u>0</u>	<u>25,326</u>	<u>24,561</u>
TOTAL CURRENT ASSETS	<u>\$360,305</u>	<u>\$ 474</u>	<u>\$360,779</u>	<u>\$ 339,136</u>
FURNITURE, FIXTURES AND EQUIPMENT:				
Leasehold Improvements	\$ 0	\$ 29,831	\$ 29,831	\$ 29,831
Office Furniture and Equipment	<u>0</u>	<u>210,020</u>	<u>210,020</u>	<u>214,119</u>
TOTAL	\$ 0	\$239,851	\$239,851	\$ 243,950
LESS - Accumulated Depreciation	<u>0</u>	<u>185,131</u>	<u>185,131</u>	<u>174,586</u>
NET FURNITURE, FIXTURES AND EQUIPMENT	<u>\$ 0</u>	<u>\$ 54,720</u>	<u>\$ 54,720</u>	<u>\$ 69,364</u>
OTHER ASSETS:				
Investments	\$ 11,000	\$ 0	\$ 11,000	\$ 11,000
TOTAL ASSETS	<u>\$371,305</u>	<u>\$ 55,194</u>	<u>\$426,499</u>	<u>\$ 419,500</u>

See accompanying notes to financial statements

	2007			2006
	UNRE- STRICTED FUND	FURNITURE, FIXTURES AND EQUIPMENT FUND	TOTAL	TOTAL
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable	\$ 37,726	\$ 0	\$ 37,726	\$ 35,722
Payroll Taxes Payable	6,877	0	6,877	6,910
Accrued Salaries	55,912	0	55,912	57,831
Accrued Pension				
Payable	15,350	0	15,350	12,915
Accrued Interest Payable	547	0	547	231
Line of Credit	0	0	0	30,000
Current Portion of Long				
Term Debt	<u>30,000</u>	<u>0</u>	<u>30,000</u>	<u>0</u>
TOTAL CURRENT				
LIABILITIES	<u>\$146,412</u>	<u>\$ 0</u>	<u>\$146,412</u>	<u>\$ 143,609</u>
LONG TERM DEBT:				
Line of Credit	\$ 30,000	\$ 0	\$ 30,000	\$ 0
LESS - Current Portion	<u>(30,000)</u>	<u>0</u>	<u>(30,000)</u>	<u>0</u>
TOTAL LONG TERM DEBT	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL LIABILITIES	<u>\$146,412</u>	<u>\$ 0</u>	<u>\$146,412</u>	<u>\$ 143,609</u>
NET ASSETS:				
Unrestricted:				
Undesignated	<u>\$224,893</u>	<u>\$ 55,194</u>	<u>\$280,087</u>	<u>\$ 275,891</u>
TOTAL NET ASSETS	<u>\$224,893</u>	<u>\$ 55,194</u>	<u>\$280,087</u>	<u>\$ 275,891</u>
TOTAL LIABILITIES				
AND NET ASSETS	<u>\$371,305</u>	<u>\$ 55,194</u>	<u>\$426,499</u>	<u>\$ 419,500</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR 2006

	<u>2007</u>			<u>2006</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUES:				
Public Support:				
Contributions	\$ 125	\$ 0	\$ 125	\$ 3,125
Fees and Grants				
From Governmental				
Agencies	521,533	0	521,533	418,412
Outpatient and				
Community				
Services	1,099,465	0	1,099,465	1,125,443
Investment/Dividend				
Income	14,425	2	14,427	13,198
Recovery of Bad				
Debts	9,872	0	9,872	17,326
Miscellaneous				
Income	44,626	0	44,626	41,699
(Loss) Gain on Sale				
of Equipment	0	(1,938)	(1,938)	(77)
Unrealized Gain				
(Loss) on				
Investments	<u>765</u>	<u>0</u>	<u>765</u>	<u>(2,810)</u>
 TOTAL PUBLIC SUPPORT AND REVENUES	 <u>\$1,690,811</u>	 <u>\$ (1,936)</u>	 <u>\$1,688,875</u>	 <u>\$1,616,316</u>
EXPENSES:				
Program Services:				
Outpatient and				
Community				
Support				
Services	\$1,005,665	\$ 0	\$1,005,665	\$ 934,679
Special Program				
Costs	<u>151,878</u>	<u>0</u>	<u>151,878</u>	<u>116,304</u>
 TOTAL PROGRAM SERVICES	 <u>\$1,157,543</u>	 <u>\$ 0</u>	 <u>\$1,157,543</u>	 <u>\$1,050,983</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR 2006

	<u>2007</u>			<u>2006</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
EXPENSES - CONTINUED:				
Supporting Services:				
Management and General	<u>508,160</u>	<u>18,976</u>	<u>527,136</u>	<u>\$ 587,255</u>
TOTAL EXPENSES	<u>\$1,665,703</u>	<u>\$ 18,976</u>	<u>\$1,684,679</u>	<u>\$1,638,238</u>
CHANGES IN NET ASSETS	\$ 25,108	\$ (20,912)	\$ 4,196	\$ (21,922)
OTHER CHANGES IN NET ASSETS:				
Equipment Acquisitions (Net of Disposals) From Unrestricted Fund	4,099	(4,099)	0	0
Transfer of Funds From Unrestricted Fund	(10,369)	10,369	0	0
NET ASSETS AT BEGINNING OF YEAR	<u>206,055</u>	<u>69,836</u>	<u>275,891</u>	<u>297,813</u>
NET ASSETS AT END OF YEAR	<u>\$ 224,893</u>	<u>\$ 55,194</u>	<u>\$ 280,087</u>	<u>\$ 275,891</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR 2006

	2007			
	PROGRAM SERVICES			OUTPATIENT AND COMMUNITY SUPPORT SERVICES
	ADM GRANT	SIOUXLAND AGING SERVICES	FAMILY LIAISON/ CASE AID	
Salaries and Wages	\$ 29,271	\$ 17,460	\$ 56,125	\$ 466,057
Employee Benefits and Payroll Taxes	3,029	2,218	14,795	163,270
Employee Travel and Transportation	<u>1,775</u>	<u>1,777</u>	<u>5,624</u>	<u>16,194</u>
TOTAL SALARIES AND RELATED EXPENSES	\$ 34,075	\$ 21,455	\$ 76,544	\$ 645,521
Contracted Services	0	0	0	268,232
Professional Development	1,423	169	235	7,647
Supplies, Books and Literature	2,000	1,000	1,000	24,282
Telephone	1,000	2,000	1,200	12,974
Postage	1,000	1,000	200	7,776
Repairs and Maintenance	0	0	0	0
Rents	0	2,000	0	0
Conferences, Conventions and Meetings	0	437	0	3,327
Membership Dues and Subscriptions	0	0	0	708
Insurance	0	1,100	1,690	19,933
Miscellaneous	0	0	0	690
Advertising and Recruitment	0	850	0	14,575
Professional Services	0	0	1,500	0
Bad Debts	0	0	0	0
Utilities	0	0	0	0
Interest Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 39,498	\$ 30,011	\$ 82,369	\$1,005,665
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENSES	<u>\$ 39,498</u>	<u>\$ 30,011</u>	<u>\$ 82,369</u>	<u>\$1,005,665</u>

See accompanying notes to financial statements

<u>2007</u>		<u>2006</u>
<u>SUPPORTING</u> <u>SERVICES</u> <u>MANAGE-</u> <u>MENT</u> <u>AND</u> <u>GENERAL</u>	<u>TOTAL</u> <u>PROGRAM</u> <u>AND</u> <u>SUPPORTING</u> <u>SERVICES</u> <u>EXPENSES</u>	<u>TOTAL</u> <u>PROGRAM</u> <u>AND</u> <u>SUPPORTING</u> <u>SERVICES</u> <u>EXPENSES</u>
\$265,663	\$ 834,576	\$ 773,288
18,749	202,061	196,236
<u>7,629</u>	<u>32,999</u>	<u>22,837</u>
\$292,041	\$1,069,636	\$ 992,361
26,541	294,773	319,602
205	9,679	5,293
1,201	29,483	24,691
330	17,504	17,131
0	9,976	8,049
20,153	20,153	15,673
86,050	88,050	91,772
3,060	6,824	3,436
3,576	4,284	5,919
0	22,723	17,206
1,492	2,182	1,484
578	16,003	14,930
28,326	29,826	25,383
23,136	23,136	58,573
19,353	19,353	19,509
<u>2,118</u>	<u>2,118</u>	<u>510</u>
\$508,160	\$1,665,703	\$1,621,522
<u>18,976</u>	<u>18,976</u>	<u>16,716</u>
<u>\$527,136</u>	<u>\$1,684,679</u>	<u>\$1,638,238</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 4,196	\$ (21,922)
Adjustments to Reconcile Change in Net Assets to Net Cash Used for Operating Activities:		
Loss on Sale of Equipment	1,938	77
Depreciation	18,976	16,716
Net Unrealized (Gain)/Loss on Investments	(765)	2,810
(Increase) Decrease in:		
Accounts Receivable	78,589	16,114
Other Receivables	(80,685)	2,922
Grant Receivables	14,031	(32,868)
Prepaid Expenses	9,579	(930)
Increase (Decrease) in:		
Accounts Payable	2,004	7,789
Payroll Taxes Payable	(33)	338
Accrued Salaries	(1,919)	5,463
Accrued Pension Payable	2,435	365
Accrued Interest Payable	<u>316</u>	<u>231</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 48,662</u>	<u>\$ (2,895)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds From Sale of Equipment	\$ 0	\$ 5
Purchase of Equipment	<u>(6,270)</u>	<u>(18,927)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>\$ (6,270)</u>	<u>\$ (18,922)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of Credit Receipts	\$ 30,000	\$ 45,000
Line of Credit Payments	<u>(30,000)</u>	<u>(15,000)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>\$ 0</u>	<u>\$ 30,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 42,392	\$ 8,183
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>25,646</u>	<u>17,463</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 68,038</u>	<u>\$ 25,646</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR 2006

	<u>2007</u>	<u>2006</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash on Hand	\$ 795	\$ 1,034
Cash in Savings and Money Market Accounts	<u>67,243</u>	<u>24,612</u>
	<u>\$ 68,038</u>	<u>\$ 25,646</u>
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	<u>\$ 2,033</u>	<u>\$ 279</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY - The Center is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Cherokee, Ida, Plymouth, Sioux and Buena Vista Counties.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

FUND ACCOUNTING - The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are grouped as follows in the financial statements:

UNRESTRICTED FUND - This fund is utilized to account for the daily transactions of the Center that are not properly recorded in another fund.

The Center's Board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for such designations within the current unrestricted fund and segregates the designated and undesignated portions of the fund within the net assets section of the balance sheet.

FURNITURE, FIXTURES AND EQUIPMENT FUND - This fund is established to account for all furniture and equipment of the Center and provide funds for replacements.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

FURNITURE, FIXTURES AND EQUIPMENT - Furniture and equipment is stated at cost. Expenditures for additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. The cost of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No interest costs were capitalized since there were no qualifying assets.

BASIS OF ACCOUNTING - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of fixed assets providing future benefits are directly charged against the unrestricted fund balance and capitalized in the furniture, fixtures and equipment fund.

BASIS OF PRESENTATION - Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

CASH AND CASH EQUIVALENTS - The Center considers cash on hand and demand deposits in banks as cash, and certificates of deposit with original maturities of three months or less as cash equivalents. There were no cash equivalents at June 30, 2007 and 2006.

RECEIVABLES - Receivables are shown at the amount expected to be collected after determining the allowances for doubtful accounts based on an aging of all the individual patient balances.

MARKETABLE EQUITY SECURITIES - The Center's marketable securities are classified as available for sale and consist of equity securities that have a readily determinable fair market value. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such determinations at each balance sheet date.

Realized gains and losses on all marketable securities are determined by specific identification and are charged or credited to current earnings.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

DONATED MATERIALS - Donated materials are recognized as contributions and valued at fair market value at receipt.

COMPENSATED ABSENCES - Center employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2007 and 2006.

PROMISES TO GIVE - Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

NET PATIENT SERVICE REVENUE - Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

TOTAL COLUMN - The total column on the statement of financial position and the statement of activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - INVESTMENTS:

Cost and fair market value of marketable securities available for sale at June 30, 2007 and 2006 are as follows:

<u>YEAR</u>	<u>COST</u>	<u>UNREALIZED LOSSES</u>	<u>FAIR VALUE</u>
2007	\$ 28,619	\$ 3,293	\$ 25,326
2006	\$ 28,619	\$ 4,058	\$ 24,561

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS:

OPERATING LEASES:

The Center rents space for the Le Mars and Cherokee offices under noncancellable operating leases. The Center also rents space from Buena Vista Regional Medical Center under a noncancellable operating lease. The Center rents two copiers for the Le Mars and Cherokee offices under a noncancellable operating lease, which expires May 10, 2010. The operating lease expense under noncancellable operating leases was \$87,040 and \$88,433 for the years ended June 30, 2007 and 2006, respectively. The following schedule shows the minimum future rental payments due under the leases.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS - CONTINUED:

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2008	\$ 89,642
2009	88,442
2010	88,442
2011	85,840
2012	85,840
Thereafter	<u>101,007</u>
 TOTAL	 <u>\$539,213</u>

The Cherokee and LeMars offices sublease a portion of their office space. Total rent earned for the years ended June 30, 2007 and 2006 was \$18,621 and \$17,796, respectively.

NOTE 4 - CONTINGENCIES:

Center employees can accumulate up to 480 sick leave hours for subsequent use. These accumulations are not recognized as expenditures until used. The Center's appropriate maximum liability for unrecognized accrued employee benefits at June 30, 2007 and 2006 was \$103,251 and \$89,742, respectively.

NOTE 5 - DEFINED CONTRIBUTION PENSION PLAN:

Effective June 1, 1996, the Center adopted a profit sharing pension plan covering substantially all of its full-time employees. The Center contributes 5% of covered employees salaries. Pension expense amounted to \$23,607 and \$22,329 for 2007 and 2006, respectively. Previously the Center had a defined contribution pension plan. Plan assets remain in this plan but no new contributions will be made.

NOTE 6 - OTHER ASSETS:

The Center has joined with other similar agencies to form Tri-State Behavioral Health Association. This is a nonprofit group formed to benefit its members. The original investment was \$11,000. It is carried at cost.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 - RISK MANAGEMENT:

Plains Area Mental Health, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 8 - NOTE PAYABLE:

Plains Area Mental Health, Inc. has a line of credit for up to \$50,000 with First National Bank of LeMars. The balance on the note at June 30, 2007 was \$30,000. The line of credit is dated October 10, 2006 and expires on October 17, 2007. The interest rate at June 30, 2007 was 9.0%.

SUPPLEMENTAL INFORMATION

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
FOR THE YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR 2006

	<u>2007</u>	<u>2006</u>
COUNTY ALLOTMENTS:		
Plymouth County, Iowa	\$188,434	\$160,537
Cherokee County, Iowa	85,516	78,494
Ida County, Iowa	48,050	54,831
Other Iowa Counties	<u>810</u>	<u>911</u>
	<u>\$322,810</u>	<u>\$294,773</u>
ADM GRANT:		
Department of MH/MR/DD	<u>\$ 39,498</u>	<u>\$ 46,727</u>
ELDERLY PEER GRANT:		
Siouxland Aging Services	<u>\$ 7,680</u>	<u>\$ 9,600</u>
HEAD START GRANT:		
Mid-Sioux Opportunity, Inc. Head Start Program	<u>\$ 8,000</u>	<u>\$ 8,000</u>
SENIOR LIVING TRUST PROGRAM GRANT:		
Northwest Aging Associates	<u>\$ 2,000</u>	<u>\$ 3,000</u>
MOC FLOYD VALLEY GRANT	<u>\$ 0</u>	<u>\$ 390</u>
JAIL SERVICES	<u>\$ 5,025</u>	<u>\$ 6,225</u>
FAMILY TEAM	<u>\$ 4,280</u>	<u>\$ 5,525</u>
LIAISON AND AID GRANT	<u>\$ 82,368</u>	<u>\$ 35,519</u>
MOM'S GRANT	<u>\$ 11,000</u>	<u>\$ 3,896</u>
HUBBING GRANT	<u>\$ 0</u>	<u>\$ 1,798</u>
PLYMOUTH COUNTY LOST FUNDS	<u>\$ 994</u>	<u>\$ 2,959</u>
REWARD FOR QUALITY	<u>\$ 35,434</u>	<u>\$ 0</u>
BRIDGES	<u>\$ 2,444</u>	<u>\$ 0</u>
	<u>\$521,533</u>	<u>\$418,412</u>

See accompanying independent auditors' report

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Plains Area Mental Health, Inc.

We have audited the financial statements of Plains Area Mental Health, Inc., LeMars, Iowa, as of and for the year ended June 30, 2007, and have issued our report thereon dated August 27, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Plains Area Mental Health, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Plains Area Mental Health, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Plains Area Mental Health, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Plains Area Mental Health, Inc.'s internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Plains Area Mental Health, Inc.'s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plains Area Mental Health, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Plains Area Mental Health Inc.'s responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the Center's responses, we did not audit Plains Area Mental Health, Inc.'s responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of Plains Area Mental Health, Inc. and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Plains Area Mental Health, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's

Certified Public Accountants

August 27, 2007

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

REPORTABLE CONDITIONS:

- (A) Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Center's financial statements. We noted one individual has custody of receipts and performs all recordkeeping and reconciling functions for the office.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the Center should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The Center segregates duties to the best of its ability with the limited number of staff employed.

Conclusion - Response accepted.

- (B) Grant From AREA IV - The grant did not meet goals for service units for the year. Plains Area Mental Health, Inc. only received 80% of grant based on service units provided.

Recommendation - Plains Area Mental Health, Inc. should monitor grant activity throughout the year.

Response - Are aware of situation. Program changes are planned.

Conclusion - Response accepted.

- (C) Board Minutes - During our review, we discovered that not all board minutes were signed after approval.

Recommendation - All board minutes should be signed after board approval.

Response - Greater attempt will be made to have minutes signed at time of approval. In event President absent from meeting, attempts will be made to have President sign outside of meeting times.

Conclusion - Response accepted.